

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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HAMILTON RESERVE BANK LTD.,	:	
Plaintiff,	:	
	:	22-cv-5199 (DLC)
-v-	:	
	:	<u>OPINION AND</u>
THE DEMOCRATIC SOCIALIST REPUBLIC OF	:	<u>ORDER</u>
SRI LANKA,	:	
Defendant.	:	
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APPEARANCES:

For plaintiff:
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For defendant:
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DENISE COTE, District Judge:

Sri Lanka has filed a motion to extend a stay of this litigation for a fourth time. For the following reasons, this motion is granted.

Background

The history of this litigation, and the crisis in The Democratic Socialist Republic of Sri Lanka which underlies it,

is set forth in the three prior Opinions issued in this case. Familiarity with the Opinions is assumed. See Hamilton Reserve Bank Ltd. v. Democratic Socialist Republic of Sri Lanka, 22cv5199 (DLC), 2024 WL 4799892 (S.D.N.Y. Nov. 15, 2024); Hamilton Reserve Bank Ltd. v. Democratic Socialist Republic of Sri Lanka, 22cv5199 (DLC), 2024 WL 1739908 (S.D.N.Y. Apr. 23, 2024); Hamilton Reserve Bank Ltd. v. Democratic Socialist Republic of Sri Lanka, 22cv5199 (DLC), 2023 WL 7180683 (S.D.N.Y. Nov. 1, 2023) (the "2023 Stay Opinion").

In brief, Sri Lanka is working to emerge from an economic, political, and humanitarian crisis. In May of 2022, Sri Lanka defaulted on its international sovereign bonds. On March 20, 2023, the IMF approved a \$2.9 billion arrangement under an Extended Fund Facility ("EFF"). The EFF allows Sri Lanka to receive funds in phases over a 48-month period, subject to semi-annual review of Sri Lanka's progress toward IMF targets. Under the EFF, Sri Lanka must commit to a debt restructuring with official bilateral creditors (i.e., sovereigns such as the United States) and private commercial creditors.

On June 26, 2024, Sri Lanka and the Official Creditor Committee composed of Sri Lanka's sovereign creditors ("OCC") announced that they had finalized a memorandum of understanding on debt restructuring consistent with the IMF program and the

comparability of treatment principle. Also on June 26, Sri Lanka finalized a debt restructuring agreement with the Export-Import Bank of China on terms consistent with the EFF program targets and comparable to those in the memorandum of understanding with the OCC. On September 19, Sri Lanka and the ad hoc bondholder group of private commercial creditors (the "Committee") reached an agreement in principle on the core financial terms of a restructuring (the "Agreement"). On October 4, Sri Lanka completed consultations with the OCC and IMF staff regarding the compliance of the Agreement with the comparability of treatment principle and the EFF program parameters. Also on October 4, Sri Lanka announced the appointment of Citigroup Global Markets, Inc. to act as dealer manager to support the execution of the bond exchange, legal documentation, and other processes necessary to implement the exchange.

On November 25, Sri Lanka formally launched the debt exchange process. The exchange expired on December 12. On December 13, Sri Lanka announced that the exchange offer and consent solicitation received strong bondholder participation. Sri Lanka's initial reports indicate that holders of more than 95% of the principal of Sri Lanka's outstanding bonds, other

than the series which the plaintiff purports to own, have agreed to the exchange.

The transaction is expected to settle on December 20 or soon thereafter. Sri Lanka has the right to extend the Settlement Deadline to January 15, 2025.

The plaintiff Hamilton Reserve Bank ("Hamilton") filed this action on June 21, 2022. Hamilton asserts that it is the beneficial owner of over \$240 million in principal amount of Sri Lanka's international sovereign bonds that were due in July of 2022, and that it is owed this principal as well as accumulated interest. Hamilton has not participated in Sri Lanka's restructuring negotiations.

On November 1, 2023, Sri Lanka's motion for a stay was granted, and this litigation was stayed until February 29, 2024. On April 23, 2024, Sri Lanka was granted a further stay. On November 15, Sri Lanka was granted a further stay until November 30. On November 26, Sri Lanka filed the instant motion for a stay of forty-five days, which would expire on January 15, 2025. On December 11, Hamilton consented to a continuation of the stay until December 12. In its December 12 reply, Sri Lanka proposes to provide an update on January 6.

Discussion

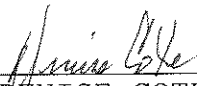
The standard for review of this motion for a stay was set out in the 2023 Stay Opinion and will not be repeated here. During the time that this litigation has been stayed, Sri Lanka achieved agreements with both sovereign and private holders of its debt, aided by consultations with the IMF, and has nearly completed the debt restructuring process. The plaintiff acknowledges, in its December 11 submission, Sri Lanka's progress toward a successful voluntary restructuring of its debt. Sri Lanka's November 26 motion for an extension of the stay is granted nunc pro tunc until January 15, 2025.

The relevant factors have continued throughout this entire period to weigh heavily in favor of the stay. These stays have assisted in the reorganization of the sovereign debt of Sri Lanka. As noted in the 2023 Stay Opinion, if Hamilton prevails on its claim, any judgment will be subject to pre-judgment interest. Hamilton does not identify any specific prejudice it will face from extending the current stay into January. Indeed, it takes the position that the restructuring of Sri Lanka's debt "will have no impact" on its claims in this action.

Conclusion

Sri Lanka's November 26, 2024 motion is granted. This action is stayed through January 15, 2025. Sri Lanka shall file a status report by January 6.

Dated: New York, New York
December 20, 2024



DENISE COTE
United States District Judge